Table 4.1-3:
Mt. Spokane Local Market Competition and Skier Visits from 1996/97 to 2005/06

SKI AREA/RESORT	1996-97	1997-98	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	5 YR Avg.	10 YR Avg.
Mt. Spokane	nr	50,797	62,852	72,080	85,055	94,764	46,322	87,520	19,844	90,493	67,789	67,747
49 North	49,925	52,210	66,164	65,922	59,905	76,866	52,503	71,508	28,016	75,639	60,906	59,866
Silver Mountain	83,000	95,000	90,000	101,000	110,000	113,000	58,000	86,754	73,002	72,700	80,691	88,246
Schweitzer	153,424	120,975	159,140	247,421	202,554	219,848	196,489	211,208	95,767	196,023	183,867	180,285
Lookout Pass	22,368	22,409	22,721	20,602	22,469	30,016	22,759	46,858	55,974	50,594	41,240	31,677
Red Mountain	104,000	95,000	138,000	136,000	65,000	103,000	92,000	110,000	84,000	115,000	100,800	104,200
Total	412,717	436,391	538,877	643,025	544,983	637,494	468,073	613,848	356,603	600,449	535,293	532,021

nr = No Record

Source: PNSAA, 2004, 2006.

Table 4.1-4:
Mt. Spokane Local Market Share Analysis

Ski Area	% Market Share - 5 Year Average	% Market Share -10 Year Average
Mt. Spokane	13%	13%
49 North	11%	11%
Silver Mountain	15%	17%
Schweitzer	34%	34%
Lookout Pass	8%	6%
Red Mountain	19%	20%
Total	100%	100%

Source: PNSAA, 2006

Mt. Spokane's Niche

Located in eastern Washington near the border of Idaho, Spokane County is the fourth most populated county in the State. The Spokane area serves as the regional center for the "Inland Northwest", and encompasses eastern Washington, northern Idaho, the northeastern portion of Oregon, and Western Montana, with the market area extending into Southern British Columbia and Alberta, as well.

The City of Spokane is intersected by Interstate 90 and four major state highways, and is a primary transportation center in the Northwest. Located on the main transcontinental rail line, it is also serviced by international and local air carriers, a modern mass transit system, as well as several regional bus lines. The City of Spokane has developed a flourishing downtown commercial area, which provides comprehensive support services for both the residents and businesses throughout the area, including high quality educational opportunities and medical facilities.

Recently, Spokane's economy has experienced a significant diversification, expanding from natural resource products to include high technology and various service industries. This growth mode encompasses all areas of economic measure, including employment, home sales, construction, population, household income, payrolls, and tax revenues.

Mt. Spokane is located approximately 30 miles from downtown Spokane via Division Street, US Highway 2, and Highway 206. The travel distance to the area is about 23 miles from the Interstate 90/Argonne Road exit and via Bruce Road to Highway 26. Aside from the need to negotiate numerous traffic lights in departing the Spokane metropolitan area, two-thirds of the distance to the mountain is over relatively flat terrain and is easy traveled.

Specifically, Mt. Spokane Ski and Snowboard Park's niche includes the following key features, within a framework of the needs identified in Section 2.4:

- Proximity to Market – located approximately 30 minutes from metropolitan Spokane;
- Value – lower cost compared to 49 Degrees North or regional destination resorts;
- Ski School Program – one of the largest in Washington;

- Good Ski Terrain Characteristics – consistent fall line skiing on existing terrain;
- Suitable parking – current parking accommodates CCC; and
- Base Lodge Buildings generally balanced with CCC – seating capacities are appropriate with CCC.

As described in Table 4.1-4, Mt. Spokane Ski and Snowboard Park occupies 13% of the skier visit market.

Other Local Ski Resorts

49 Degrees North Mountain Resort

The following information was derived and adapted from the 49 Degrees North Mountain Resort Revised Master Development Plan Final Environmental Impact Statement (USDA, 2004).

49 Degrees North Mountain Resort is located in the southern Selkirk Mountains of northeast Washington, approximately 10 miles east of Chewelah and 50 miles north of Spokane. The existing 1,220-acre ski area operates on 900 acres of National Forest System lands under a Special Use Permit (SUP) from the Colville National Forest, and 320 acres of adjacent private land owned by Chewelah Basin Ski Corp., the owner of the resort. The base area is located at 3,923 feet elevation, and the summit is at 5,774 feet elevation. Current facilities at 49 Degrees North include 5 lifts, 540 acres of ski runs on 68 marked trails (30% beginner, 40% intermediate, 25% advanced, 5% expert), and a CCC of 2,000. Other facilities include 12 miles of Nordic trails and a 21,000 square foot main lodge.

Approximately 50% of the skier visits at 49 Degrees North are local residents in Stevens and Pend Oreille counties. These "local skiers" favor ski area features such as low cost, short drive and homey atmosphere over higher price, longer commutes and elaborate services. Skiers from Spokane (about 50 miles) and Coeur d'Alene (about 80 miles) comprise the other 50% of the 49 Degrees North skier visits. The resort exceeds 1,000 visitors per day about ¼ of the days it is open for operations, and often exceeds 1,500 visitors per day on weekends. The largest skier attendance days exceed 3,000. Ski area management estimated that about 75,000 skier visits per year are needed for the operation to remain viable in its current configuration (Eminger, 2002a)(see Table 4.1-2). However, the current lodge and lift configuration does not accommodate this number of skiers. The ski area (including expenditures for approved improvements) is economically feasible with a 20% increase in skiers, or 15,000 skiers per year (Eminger, 2002a). This increase seems reasonable to attain based on 30% increases in Stevens and Pend Oreille County populations in recent years and the indication this trend will continue (USDA, 2004).

Under the revised Master Development Plan, 49 Degrees North will expand the existing resort to approximately 2,300 acres, of which 2,000 acres are National Forest Service lands. Improvements include one 5,000-foot long ski lift, 230 acres of cleared ski runs, 310 acres of gladed ski runs, a Nordic Ski Center, ice rink, and Nordic trails, main lodge expansion and new mid-mountain lodge construction, 4 additional acres of parking, and a new water system, wastewater system, and extended electrical utilities. Upon completion of the expansion proposed

in the MDP, the CCC of the resort would increase to about 4,000 visitors per day – approximately twice the current capacity. Additionally, total skier days per year are estimated to increase from approximately 75,000 to 90,000 in 5 years (USDA, 2004).

This year as part of the improvements to the existing SUP area and revision to the Master Development Plan, 49° North installed the new Sunrise Quad Chairlift, which opens up 12 new trails in Sunrise Basin. 49° North also constructed 10 kilometers of Nordic trail, installed a warming yurt in the new Nordic parking lot, and lengthened three alpine trails in Lower Silver Ridge (PNSAA, 2006b).

As described in Table 4.1-4, 49 Degrees North occupies 12% of the Mt. Spokane skier visit market.

49 Degrees North Mountain Resort ski area management estimated that about 75,000 skier visits per year are needed for the operation to remain viable in its current configuration (Eminger, 2002a); however, the current lodge and lift configuration does not accommodate this number of skiers. The ski area (including expenditures for approved improvements) is economically feasible with a 20% increase in skiers, or 15,000 skiers per year (Eminger, 2002a). This increase seems reasonable to attain based on 30% increases in Stevens and Pend Oreille County populations in recent years and the indication this trend will continue (USDA, 2004).

Lookout Pass

The following information was derived and adapted from the Lookout Pass Ski and Recreation Area. Final Environmental Impact Statement. (USDA, 2002).

Lookout Pass Ski and Recreation Area is located in the northern Rocky Mountains, approximately 75 miles east of Spokane, 6 miles east of Mullan, Idaho, and 33 miles west of St. Regis, Montana, on the Montana/Idaho border. Lookout Pass operates on 335 acres under a Special Use Permit from the Idaho Panhandle National Forest. The base area is at 4,500 feet elevation, and the summit is at 5,650 feet elevation. Current facilities include two chairlifts, one rope tow, 540 skiable acres including 23 named runs (20% easiest, 50% intermediate, 20% advanced, 10% expert), two terrain parks, a 240-seat base lodge, rental shop, maintenance and service buildings, and a 1.7-acre parking lot.

Winter activities include alpine and Nordic skiing, snowmobile trail parking, ski rental service, ski school, and operation of the lodge restaurant and bar. Summer activities include operation of the base facilities, information center, bicycle rentals and shuttle service. Dispersed recreation in the area includes snowmobiling, all-terrain vehicle use, cross-country skiing, backcountry skiing, wildlife watching, and hunting. The Idaho Panhandle National Forest and Lolo National Forest have authorized the expansion of the Lookout Pass permit area from 335 to 444 acres. In addition, Lookout Pass is authorized to implement the following improvements: two new chairlifts, 87 additional acres of ski terrain, one-acre parking lot expansion, 19,600 square foot expansion of existing buildings, upgrading of 2,100 feet of existing road, and regrading of 4.7 acres of runs (USDA, 2003).

Approximately 50 percent of skiers come from Coeur d'Alene, 35 percent from north Idaho (other than Coeur d'Alene), 7.5 percent from Spokane, 4 percent from Missoula, and 3.5 percent

from small towns in western Montana located between Lookout Pass and Frenchtown, Montana (Granger, 1999). Population growth in the Lookout Pass service area is projected to continue beyond national averages. Average skier visitation per season over the last five years was 24,090, indicating that weekend use is often over 300 skiers per day. During the 2001-2002 season (30,016 total visits), the number of skiers exceeded 450 on 27 days of the 81 day season, or 33 percent of the time. Lookout Pass management estimates that about 25,000 skier visits per year are needed for the operation to remain viable in its current configuration. However, the current lodge and lift configuration does not allow for this number of skiers. The ski area (including expenditures for the expansion) is economically feasible with a 20% increase in skiers, or 27,000 skiers per year. The ski area owners estimate that upon completion of the improvements, total skier visitation would increase from 22,500 skier days to 40,000 skier days per year in 8 years (USDA, 2002).

An August 2006 press release from Lookout Mountain (Lookout Mountain, 2006) indicated that 5 new north aspect runs that were logged during the Fall of 2005 have been brush cut and all slash has been hand piled. A new lift to service the "Northstar" lift pod has been identified with acquisition negotiations underway. Superior Tramway of Spokane is providing the engineering with construction scheduled for the summer of 2007. As described in Table 4.1-4, Lookout Pass occupies 8% of the Mt. Spokane skier visit market.

Average skier visitation per season indicates that weekend use is often over 300 skiers per day at Lookout Pass. During the 2001-2002 season (30,016 total visits), the number of skiers exceeded 450 on 27 days of the 81 day season, or 33 percent of the time. Lookout Pass management estimates that about 25,000 skier visits per year are needed for the operation to remain viable in its current configuration. However, the current lodge and lift configuration does not allow for this number of skiers. The ski area (including expenditures for the expansion) is economically feasible with a 20% increase in skiers, or 27,000 skiers per year. The ski area owners estimate that upon completion of the improvements, total skier visitation would increase from 22,500 skiers days to 40,000 skier days per year in 8 years (USDA, 2002).

Schweitzer

Schweitzer Mountain Resort is located in the Selkirk Mountains, overlooking Lake Pend Oreille in the Idaho Panhandle, approximately 86 miles northeast of Spokane and 45 miles south of the Canadian border. Schweitzer operates 2,900 skiable acres between 4,700 and 6,400 feet elevation. The terrain includes 20 percent Beginner, 40 percent Intermediate, 35 percent Advanced and 5 percent Expert ski trails. Current facilities include 82 named trails, 8 chairlifts, 32 kilometers of groomed Nordic trails, snowmaking capacity for 47 acres, and night skiing. Schweitzer also offers cat skiing, snowmobiling, ski school (alpine and Nordic), a terrain park with halfpipe, snowshoeing, tubing, condominiums, and the Selkirk Lodge. Uphill capacity of the resort is approximately 9, 267 pph. Average skier visitation per season for the past five years was 183,867.

As described in Table 4.1-4, Schweitzer occupies 36% of the Spokane area skier visit market. Schweitzer represents a regional destination resort, with lodging and other overnight amenities. Schweitzer Mountain Resort has benefited from skier visit growth as a result of two factors: the development of onsite lodging in conjunction with new skier facilities; and the overall growth of

the Sandpoint/Idaho Panhandle region, which has attracted more full time residents due to its location (SE Group 2006).

Silver Mountain

Silver Mountain is located in Kellogg, Idaho, approximately 45 miles from Coeur d'Alene and 75 miles from Spokane. Silver Mountain operates on two mountains, offering 2,200 vertical feet on 1,600 acres (67 named runs) accessed by five chairlifts. In addition to ski terrain, Silver Mountain facilities include a terrain park, snow tubing, night skiing on eight trails, gondola rides, and snowshoe trails. New facilities opening this year include a new tubing park and moving carpet, additional beginner terrain, and terrain park improvements. In the fall of 2007, Silver Mountain plans to open Silver Rapids, an indoor water park. Silver Mountain averaged 80,759 seasonal skier visits over the last five years.

As described in Table 4.1-4, Silver Mountain occupies 16% of the Mt. Spokane skier visit market. Silver Mountain benefits from easy access off of Interstate 90. Similar to Schweitzer Mountain Resort, Silver Mountain serves both the local Kellogg, Idaho Market as well as a regional destination market. Silver Mountain boasts an out-of-village gondola and lodging/condominiums within the village.

Red Mountain

Red Mountain is located near the Canada/US border in south Central British Columbia, 28 miles (45 km) south of Castlegar, and just 3 miles (5 km) west of the historic gold mining town of Rossland, which combines rugged outdoor adventure with small town warmth and hospitality. Red Mountain is located 125 miles north of Spokane, via Highway 395 through Colville, to Highway 25 through Northport.

With a vertical elevation change of 2,209 feet and a summit elevation of 6,800 feet, Red Mountain provides 1,585 acres of skiable terrain on 83 trails. The terrain distribution at Red Mountain includes 10% Novice, 45% Intermediate and 45% Advanced. Red Mountain operates six chairlifts and includes the only terrain park in the West Kootenays.

As described in Table 4.1-4, Red Mountain occupies 16% of the Mt. Spokane skier visit market. Of all resorts in the Mt. Spokane market, Red Mountain most closely represents a true destination resort, with only 34.4% of its visitation derived from the local (1.5 hour drive time) market (SE Group, 2006). Washington supplies approximately 12.8% of the Red Mountain visitation, while Red Mountain realizes almost 10% of its visitation from international destinations (outside the US and Canada). Survey data provided in SE Group, 2006 indicates that the Spokane metropolitan area represents only 3.8% of the Red Mountain market in terms of skier visits. The fact that Red Mountain provides 16.8% of the visitation in the Mt. Spokane market juxtaposed with the fact that Red Mountain draws only 3.8% of its visits from Spokane further demonstrates the destination resort market served by Red Mountain when compared to the other day-use resorts in the local market.

4.2 Future Trends

The following section details the broad future trends of the ski industry and resorts in the Mt. Spokane market.

4.2.1 Market Area Population

OFM, 2002 calculated population growth trends for Spokane County and nearby counties, as shown in Table 4.2-1. Spokane County was predicted to increase by an average annual growth rate of 1.3% by 2025, while Whitman County was predicted to grow at a much more conservative 0.4% and Stevens County is projected to grow at 2.1% per year. Overall, the metropolitan Spokane area is projected to increase at 1.3% per year.

Table 4.2-1:
Local Population by County & Projected Annual Growth

	Calendar Year								
County	**1990**	**1995**	**2000**	**2005**	**2010**	**2015**	**2020**	**2025**	**Annual Growth Rate**
Adams	13,603	15,366	16,428	17,458	18,502	19,724	20,919	22,063	1.4%
Lincoln	8,864	9,241	10,184	10,095	10,386	11,004	11,918	12,802	1.1%
Pend Oreille	8,915	11,527	11,732	12,679	13,674	14,711	15,706	16,662	1.8%
Spokane	361,333	400,538	417,939	441,068	466,417	496,981	529,958	561,627	1.3%
Stevens	30,948	35,406	40,066	42,105	46,585	52,102	58,154	64,057	2.1%
Whitman	38,775	40,138	40,740	40,445	41,149	42,342	43,651	44,856	0.4%
Total	464,428	514,211	53,9089	565,855	598,723	638879	682,326	724,092	1.3%

Source: OFM, Forecasting, February 2002

4.2.2 Calculation of Future Market Skier Visitation

The calculation of future skier visitation (i.e. demand for skiing) for any given resort must consider the behavior of its neighboring, competing resorts, the market share over time, the projected population growth rate, and the incidence of skier visits by the members of the population. In order to provide a defensible projection of future skier visitation at Mt. Spokane, this analysis provides four methods to determine the net potential skier visitation in the local market area within the ten year projection period and beyond, to the 25th year. These methods provide a range of potential skier visits that could be generated by the local market in ten years. Using this range of potential visitation in the market, skier projections under various capital improvement scenarios can be compared to ensure that assumptions in the growth of visitation at Mt. Spokane Ski and Snowboard Park are valid. All four methods present an approach for determining a baseline market demand (i.e., the potential number of skier visits generated by the local market) and projects future skier visitation by applying the projected annual population growth rate, provide in Table 4.2-1 (1.3%). No consideration is given to ski area upgrades that could affect the length of the ski season or capacity of the ski area, both of which could increase visitation above the projections provided in this analysis. The following presents a summary of the four methods along with the projection of potential skier visitation generated by the local market in ten years.

Method 1 – Ten-Year Average Visitation

In order to calculate the potential skier visitation in the local market using the ten year average visitation, the ten-year average skier visitation for each resort (see Table 4.1-3) is projected out using the projected 13% population growth rate for the market area, presented in Table 4.2-1. Using this approach, the Mt. Spokane visitation is projected to increase from 67,747 in Year 1 to

76,946 in Year 10. Similarly, the Mt. Spokane local market is projected to grow from 532,021 visits in Year 1 to 604,256 in Year 10. Using this approach, the 13% market share for Mt. Spokane Ski and Snowboard Park is retained throughout the projection period, consistent with the past ten years (see Table 4.1-4).

Table 4.2-2:
Potential Market Annual Visitation Based on 10-Year Average

Year	Mt. Spokane	49 North	Silver Mountain	Schweitzer	Lookout Pass	Red Mountain	Total
1[a]	67,747	59,866	88,246	180,285	31,677	104,200	532,021
5	72,200	63,801	94,046	192,135	33,759	111,049	566,989
10	76,946	67,994	100,227	204,763	35,978	118,348	604,256
15	82,003	72,463	106,815	218,222	38,343	126,127	643,973
20	87,393	77,226	113,836	232,565	40,863	134,417	686,300
25	93,137	82,302	121,318	247,851	43,549	143,251	731,408

[a] Year 1 represents the 10-year average skier visitation, provided in Table 4.1-3. This baseline is increased by 1.3% annually, representing the projected population growth in the local market area.

Based on Method 1, the current market potential for skier visitation totals 532,021. Through the ten-year projection period, the demand for skiing is projected to increase to 604,256, and in Year 25, the projected market demand totals 731,408 skier visits. Based on it 13% Market Share (refer to Table 4.1-4) Mt. Spokane Ski and Snowboard Park would realize 76, 946 skier visits in Year 10 and 93,137 skier visits in Year 25.

Of all methods used for the estimation of potential skier visitation in the future, this method is likely the most conservative in that it incorporates actual visitation patterns into the projection. For example, Table 4.1-3 indicates that during the 2002-03 ski season, visitation was substantially below average for several of the ski areas within the local market, with only Schweitzer (a destination resort) exhibiting visitation above the 5- and 10-year averages. This is a result of an El Nino winter, in which snow coverage was below normal. Also, Table 4.1-3 shows that 2004-05 was an abnormally low year for visitation, with all but Lookout Pass reporting visitation substantially below the averages. In the Pacific Northwest, 2004-05 was a record low snow year. Nonetheless, by incorporating these low-visitation years into the 10-year average and using this average as that basis for projections, this method results in a measure of potential visitation that is more reflective of the supply of skiing (i.e., based on weather patterns that are not attributable to market conditions) than the market demand for skiing. Therefore, for purposes of this analysis, the projection of skier visitation based on this method represents a low estimate.

Method 2 –Skier Survey – Population

An alternative method to estimating the demand for skiing is to survey the populace in order to develop an estimate of the population that participates in downhill skiing or snowboarding. Many studies have been undertaken at the National, Regional and National Forest level to estimate this percentage.

NSRE

At the National Level, the National Survey on Recreation and The Environment (NSRE), which is sponsored by the US Forest Service (USFS), US Bureau of Land Management (BLM), the US Army Corps of Engineers (Corps) and US Environmental Protection Agency (EPA), represents such a study. The primary purpose of the NSRE is to learn about the outdoor recreation activities of people 16 years of age or older in the United States. The results of this survey are summarized in Table 4.2-3, compared to the results of a similar survey that was done in 1982-83 and published in the NSRE (USDA, 1995).[6]

Table 4.2-3:
National Recreation Participation Trends, 1982/83 and 1994/95

Activity	Millions of Participants[a]		Percent Change
	1982-83	1994-95	
Bird Watching	21.1	54.1	+155.2
Hiking	24.7	47.8	+93.5
Backpacking	8.8	15.2	+72.7
Downhill Skiing	10.6	16.8	+58.5
Camping – Primitive Area	17.7	28.0	+58.2
Attending Outdoor Concert/Play	44.2	68.4	+54.7
Off-Road Driving	19.4	27.9	+43.8
Walking	93.6	133.7	+42.8
Motor boating	33.6	47.0	+39.9
Sightseeing	81.3	113.4	+39.5
Camping – Developed Area	30.0	41.5	+38.3
Swimming/river, lake, ocean	56.5	78.1	+38.2
Snowmobiling	5.3	7.1	+34.0
Outdoor Team Sports	42.4	53.0	+25.0
Golf	23.0	29.7	+29.1
Cross-country Skiing	5.3	6.5	+22.6
Swimming/Pool	76.0	88.6	+16.4
Picnicking	84.8	98.3	+15.9
Sledding	17.7	20.5	+15.8
Running/Jogging	45.9	52.5	+14.4
Water Skiing	15.9	17.9	+12.6
Bicycling	56.5	57.4	+1.6
Ice Skating	10.6	10.5	-0.9
Fishing	60.1	57.8	-3.8
Sailing	10.6	9.6	-9.4
Horseback Riding	15.9	14.3	-10.1
Hunting	21.2	18.6	-12.3
Tennis	30.0	21.2	-29.3

Source: USFS, 1995.
[a] Millions of participants 16 years of age or older.

[6] The NSRE survey method was comprised of two random telephone surveys. Data was collected from January 1994 to May 1995, with a total of 17,216 interviews completed–12,214 for survey one and 5,002 for survey two (USDA, 1995). For survey one Americans above the age of 15, were asked questions in four areas: (1) participation in activities and the numbers of days and trips spent in recreation activities, (2) the characteristics of recreation trips, (3) barriers and constraints to outdoor recreation, and (4) alternative strategies for charging user fees for recreation. In the second survey Americans above the age of 15 were asked about their participation in specific outdoor recreation activities and the benefits of that participation.

While this study does not attempt to measure the percentage of the United States population that participates in the various activities, the NSRE does indicate that participation in downhill skiing and other winter sports continues to rise nationally. For example, between the 1982-83 and 1994-95 surveys, downhill skiing, snowmobiling, cross-country skiing and sledding increased by 58.5%, 34.0%, 22.6% and 15.8%, respectively. Again, between the 1994-95 and the 1999-2000 NSRE, downhill skiing, snowmobiling, cross-country skiing and sledding increased by another 17.3% 77.5%, 63.1% and 52.2%, respectively. Based on these analyses, winter sports recreation, including downhill skiing, has witnessed double-digit increases in demand in the United States between 1994 and 2000.

NSGA

The National Sporting Goods Association (NSGA) also conducts an annual survey of sports participation. Table 4.2-4 depicts the increase/decrease for certain activities that are popular in mountain settings from 1991 through 2001.

Table 4.2-4:
Comparison of NSGA 1991, 1996 and 2001 Sports Participation

Sport	Millions of Participants[a]		
	1991	1996	2001
Exercise Walking	69.6	73.3	71.2
Bicycle Riding	54.0	53.3	39.0
Fishing	47.0	45.6	44.4
Camping	47.1	44.7	45.5
Hiking	22.7	26.5	26.1
Hunting with Firearms	17.1	19.3	19.2
Mountain Biking - on road	10.5	11.3	14.0
Backpacking/Wilderness Camp	10.4	11.5	14.5
Alpine Skiing	10.4	10.5	7.7
Mountain Biking - off road	4.6	7.3	6.3
Snowboarding	1.6	3.7	5.3
Nordic Skiing	4.4	3.4	2.3

[a] Participated more than once, seven years of age or older.

Source: National Sporting Goods Association, 1996 and 2002.

Though the NSGA data shows nominal growth and decline for alpine skiing, snowboarding has witnessed significant increases in participation. In total, the two downhill winter sports accounted for 12 million participants (1991), 14.2 million participants (1996) and 12 million participants (2001). Based on the NSGA survey, downhill skiing and snowboarding have at least maintained a relatively constant level of participation since 1991.

PNSAA Telephone Survey

The Pacific Northwest Ski areas Association (PNSAA) conducted a survey of the Washington, Oregon and northwestern Idaho population in order to investigate the behavior of skiers in the northwest (PNSAA, 1993). This report calculated that of residents age 18 to 24, 12.6% participate in skiing or snowboarding. Of these downhill enthusiasts in the Pacific Northwest, Spokane and Idaho area skiers averaged 8.6 days of skiing per year (PNSAA, 1993).

Method 2 Summary

The NSRE (Table 4.2-3) and the NSGA (Table 4.2-4) indicate that participation in downhill skiing/snowboarding has at least remained constant in the United States, if not increasing over time. As described in Section 4.1.1, National and Regional visitation patterns indicate that an increasing trend is actually the case, with visitation trends much closer to the rate of population growth than in the early 1990s. On this basis, in order to project the potential future demand for skiing under Method 2, this analysis will retain the Spokane-specific measures provided in PNSAA (1993). A skier population of 12.6% and a skier incidence of 8.6 visits per year will be applied to the Mt. Spokane Ski and Snowboard park local market population projections, discussed in Section 4.2.1. Table 4.2-5 presents the current market potential based on the 2005 population and using this approach. Table 4.2-6 presents the projected demand for skiing in the ten-year projection period, as well as beyond into Year 25.

Table 4.2-5:
Potential 2005 Market Demand
Based on PNSAA Data

2005 Local Population	Skiers (12.6% of population)	Potential Demand (8.6 visits/yr/skier)
563,850	71,045	610,988

Table 4.2-6:
Potential 2005 Market Demand
Based on PNSAA Data

Year	Projected Skier Visitation Market Potential	Mt. Spokane Ski and Snowboard Park (13%)
1	610,988	79,428
5	651,147	84,649
10	693,945	90,213
15	739,557	96,142
20	788,166	102,462
25	839,970	109,196

Based on Method 2, the current market potential for skier visitation totals 610,988. Through the ten-year projection period, the demand for skiing is projected to increase to 693,945, and in Year 25, the projected market demand totals 839,970 skier visits. Based on it 13% Market Share (refer to Table 4.1-4) Mt. Spokane Ski and Snowboard Park would realize 90,213 skier visits in Year 10 and 109,196 skier visits in Year 25.

Method 3 – Breakeven Year

A third approach to determining market demand for skiing is to evaluate the skier market behavior during a normal winter year, with sufficient snowfall and snowpack to provide a complete operating season. Within the inland Pacific Northwest, the winter of 2005-06 represented just such a year (McQuarry, 2006).

As shown in Table 4.1-3, 2005-06 exhibited visitation that is substantially over the 5- and 10-year averages for all resorts in the local market. During this season, Mt. Spokane realized 90,492 skier visits, and the local market saw a total of 600,449 skier visits (refer to Table 4.1-3). Method 3 for determining the potential market demand for skier visitation uses the 2005-06 visits as a basis for the application of the projected population growth, discussed in Section 4.2.1. Table 4.2-7 presents the projected skier demand for visitation based on the Method 3 approach.

Table 4.2-7:
Potential Market Annual Visitation Based on 2005-06 Results

Year	Mt. Spokane	49 North	Silver Mountain	Schweitzer	Lookout Pass	Red Mountain	Total
1[a]	90,493	75,639	72,700	196,023	50,594	115,000	600,449
5	96,441	80,611	77,478	208,907	53,919	122,559	639,915
10	102,780	85,909	82,571	222,638	57,463	130,614	681,975
15	109,535	91,556	87,998	237,272	61,240	139,199	726,800
20	116,735	97,573	93,782	252,867	65,266	148,348	774,571
25	124,407	103,987	99,946	269,487	69,555	158,099	825,482

[a] Year 1 represents the 2005-06 skier visitation, provided in Table 4.1-3. This baseline is increased by 1.3% annually, representing the projected population growth in the local market area.

Based on Method 3, the current market potential for skier visitation totals 600,449. Through the ten-year projection period, the demand for skiing is projected to increase to 681,795, and in Year 25, the projected market demand totals 825,482 skier visits. Maintaining its 13% Market Share (refer to Table 4.1-4) Mt. Spokane Ski and Snowboard Park would realize 102,780 skier visits in Year 10 and 124,407 skier visits in Year 25.

Method 4 – Modified Eight-Year Average

Method 4 for the projection of market demand for skier visitation is based on the approach used in Method 1 (i.e., the 10-year average). For this analysis, the El Nino year (2002-03) and the record low year (2004-05) are eliminated from the visitation record to provide a modified 8-year average. Table 4.2-8 presents the Modified 8-year average based on Table 4.1-3 with the 2002-03 and 2004-05 years removed. Table 4.2-9 shows the projected market demand for visitation based on the modified 8-year average.

Table 4.2-8:
Modified 8-Year Average Visitation

Resort	8 YR Ave
Mt. Spokane	77,652
49 North	64,767
Silver Mountain	93,932
Schweitzer	188,824
Lookout Pass	29,755
Red Mountain	108,250
	563,179

Table 4.2-9:
Potential Market Annual Visitation Based on Modified 8-Year Average

Year	Mt. Spokane	49 North	Silver Mountain	Schweitzer	Lookout Pass	Red Mountain	Total
1[a]	77,652	64,767	93,932	188,824	29,755	108,250	563,179
5	82,755	69,024	100,106	201,235	31,710	115,365	600,196
10	88,195	73,561	106,685	214,462	33,795	122,948	639,646
15	93,992	78,396	113,698	228,558	36,016	131,029	681,688
20	100,169	83,549	121,171	243,581	38,383	139,641	726,494
25	106,753	89,041	129,135	259,591	40,906	148,819	774,245

[a] Year 1 represents the modified 8-year average skier visitation, provided in Table 4.2-8. This baseline is increased by 1.3% annually, representing the projected population growth in the local market area.

Based on Method 4, the current market potential for skier visitation totals 563,179. Through the ten-year projection period, the demand for skiing is projected to increase to 639,046, and in Year 25, the projected market demand totals 774,245 skier visits. Maintaining its 13% Market Share (refer to Table 4.1-4) Mt. Spokane Ski and Snowboard Park would realize 88,195 skier visits in Year 10 and 106,753 skier visits in Year 25.

Market Demand for Skier Visitation Summary – Methods 1 - 4

The four methods described above attempt to compile existing information to determine the future market demand for skiing through the ten-year projection period and beyond to Year 25. For clarity, these approaches are intended to project the number of skier visits that the local market could generate without consideration of any outside forces, such as changes at the ski areas, which could affect visitation through increased/decreased ski season length or changes in capacity. This exercise is provided as a means for comparison to determine the feasibility of projected skier visitation at Mt. Spokane Ski and Snowboard Park based on population growth and improvements to the ski area, as described in Section 5 of this report. Table 4.2-10 presents a summary of the projections using Methods 1 – 4.

Table 4.2-10:
Summary of Results for Methods 1 -4

	Method 1 - 4 Range			
	Mt. Spokane		Local Market	
Year	Low (Method 1)	High (Method 3)	Low (Method 1)	High (Method 2)
1	67,747	90,493	532,021	610,988
10	76,946	102,779	604,256	693,945
25	93,137	124,407	731,408	839,970

Based on this analysis, it can be projected that without consideration of any improvements or any other factors, except population growth, Mt. Spokane would be positioned to meet the demand for up to 102,779 skiers in Year 10. The ability of Mt. Spokane to do so is addressed above in Section 3.0 and below in Section 5.0. Similarly, the local market is positioned to meet the demand for 693,945 skiers in Year 10. These potential demand numbers are discussed further in Section 5.0, where capital improvements at Mt. Spokane Ski and Snowboard Park are included in skier visitation projections.

4.2.3 Ski Area and Technology Upgrades

New technology has had a positive impact on the ski industry. New shaped skis have made it easier to become proficient in the sport as well as enjoying many different types of snow and terrain conditions. Lift technology, including high capacity lifts, easier queuing and loading stations, and inclined conveyors have also made it easier for skiers and boarders to load, ride and unload lifts safely. Snowmaking improvements now provide a better and more consistent ski surface that also endures high usage. This is aided by grooming machines that provide smooth ski trails, half-pipes and terrain parks. Throughout North America, ski areas have also developed unique terrain park equipment that satisfies the younger, more adventurous thrill seekers.

Review and analysis of the relevant national and local market data indicate that there is an ever-increasing level of customer awareness of quality, service, and value in the ski experience (University of Washington EMBA, 1996; RRC Associates, 1994a, 1996, 1997, and 1998; and Leisure Trends, 1996). Progressive ski areas ranging from high-profile destination resorts such as, Sun Valley, Whistler, and Park City, to regional/local, day-use ski areas including Crystal Mountain, Timberline, Red Lodge, 49 Degrees North, and Bogus Basin have catered to the changing demands of the skier population. These ski areas have done this by providing convenient, quality accommodations, a heightened service orientation, a more refined and technologically improved ski experience, and numerous year-round recreational amenities. Similar to these examples, ski areas that have invested in faster and more comfortable ski lifts, snowmaking, terrain expansion, increased trail grooming, and other quality improvements have created higher quality skiing, and have typically captured additional market share. These developments have also led to an overall improvement of service and a higher level of expectation among the skiing public (USDA, 2004b). Conversely, lack of improved facilities has lead to the erosion of market share and eventually a decline in skier visit performance.

4.2.3 Multi-season recreation facilities

Numerous ski areas, large and small, are seeking new revenue sources as a hedge to seasonality. Additionally, ski resort operators are investing to expand spring and summer sources of revenues, acting as a destination or "base camp" for adventure. Other experiential pursuits such as snow cat and heli-skiing, all connected with the resort, are being offered in greater numbers. Well capitalized operators and owners are increasingly offering the following activities to "smooth" earnings:

- Water Parks
- Golf Courses
- Mountain Biking
- Conference Centers
- Whitewater Rafting
- Fly Fishing
- Other…zip rides, mountain coasters, alpine slides, horseback riding, snowmobiling.

5.0 Financial Analysis

To facilitate the Washington State Parks and Recreation Commission decision-making process regarding improvements to Mt. Spokane ski and Snowboard Park, including the potential use of the PASEA for alpine skiing, several concepts were developed by ski area management, State Parks representatives, advisory committee members and consultants.

This section identifies a two financing scenarios for use in the financial analysis:

- Mt. Spokane 2000 Capital Only
- With Outside Support

The Mt. Spokane 2000 Capital Only was prepared to show a financial and economic analysis in the event that Mt. Spokane 2000 provides all the capital at market rates without consideration of volunteers or in-kind donations (see Section 3.4). In essence, the Mt. Spokane 2000 Capital Only scenario represents the "true market cost" in the financial analysis. The With Outside Support was prepared to show a more realistic analysis of the financial operation at the ski area. This scenario includes volunteers, in-kind donations and/or outside funding support at market or non-market rates.

In addition to the financing scenarios, this section identifies four alternative capital improvement programs (i.e., concepts) for the Mt. Spokane Ski and Snowboard Park. These include a No Action concept and three Action Concepts. These concepts were developed using a collaborative approach, including staff from Washington State Parks, The Mt. Spokane State Park Advisory Committee, Mt. Spokane 2000 and a team of consultants. To assist the reader, Appendix 2 details the financial and economic analyses for the Four concepts and two financial scenarios. The information in Appendix 2 has been posted on the Washington State Parks project website since January 2007 and was presented to the public in a meeting dated January 4, 2007. As a result, this report does not detail the financial analyses of each alternative. Rather, the summary information is provided in the following sections and detailed information is included in Appendix 2.

5.1 Concept Descriptions

As described above, four Concepts are included in the financial and economic analysis. These include:

- No Action Concept (Concept 1);
- Improved Facilities (Concept 2);
- Shared Facilities (Concept 3);
- Optimized Experiences (Concept 4).

A description of each concept is provided below.

5.1.1 No Action Concept - (Concept 1)

In this concept, there are no improvements to the existing operation (refer to Section 3.0). Table 5.1-1 depicts the operating history of the Mt. Spokane 2000 concession for the previous four seasons. This financial history includes two poor seasons and two successful seasons. As shown in this financial history, poor operating seasons result in the loss of over $500,000, while "successful" seasons end with net operating income that is substantially less than $500,000. Under this operational model, the Mt. Spokane 2000 concession must continually strive to seek donations and other non-traditional sources of cash (non-market loans, lines of credit, etc.) to remain economically viable. Additionally, with the economic model demonstrated over the past four years, it is evident that the concession operation simply has no capital with which to fund improvements to the existing facilities.

Table 5.1-1:
Four Year Operating History at Mt. Spokane Ski and Snowboard Park

	Financial Year			
Financial Details	**2006-05**	**2005-04**	**2004-03**	**2003-2002**
Visits	90,493	19,844	87,520	46,322
Revenue per Visit	22.86	43.85	25.32	30.33
Revenue	2,068,452	870,173	2,216,220	1,405,019
Total Operating Costs	1,962,781	1,313,811	1,885,498	1,862,821
Operating Income	105,671	(443,638)	330,722	(457,802)
Other Income & Expenses				
Other income	54,435	40,988	37,162	32,993
Interest	(92,696)	(100,231)	(107,618)	(116,763)
Net Income	67,410	(502,881)	260,266	(541,572)

Source: Mt. Spokane 2000

As shown in the financial analysis (Appendix 2), the lead ticket price is assumed to be $35 (based on 2005/06 operating season) at the base, increasing to $40 in ten years. Because no significant improvement would be realized under a No Action scenario, it is projected that the concession's realization (i.e., revenue per skier visit measured as a percentage of the lead ticket price) would not improve significantly, with the realization improving from the current 65% to 67% over ten years.[7] Likewise, with no significant improvements, skier visitation is projected to remain stagnant for the short term, followed by a continued erosion of market share, culminating in a reduction in annual skier visits by Year 10. Under the No Action Alternative, the 10-year average visitation is projected increase from 67,747 to 76,951.[8]

5.1.2 Improved Facilities- (Concept 2)

In this concept, the emphasis is on providing opportunities for the existing range of recreational uses in the park, within the existing physical location of current recreational areas. Improvements to quality of experience will be emphasized over quantity.

[7] In the Pacific Northwest, successful day-use ski area operations seek to achieve a realization of 75% or more.
[8] In Appendix 2, the various proformas begin with the 2005-06 season as a base. Within the ten-year projection period, Years 3, 7 and 9 are considered to be "bad" years, where annual visitation is dropped to 65,000 to reflect poor weather years. It should be noted that comparison to the 10-year average in Table 4.1-3 may not be appropriate due to the record poor season in 2004-05, where Mt. Spokane Ski and Snowboard Park realized only 19,844 skier visits. This event skews the 10-year average visitation down.

This concept would include redevelopment in the existing developed ski area, but no development within the PASEA. The PASEA would no longer be considered for future ski area development and would be designated a *Natural Forest Area* (NFA).

In order to address the shortcomings associated with snow retention in the base area, snowmaking would be expanded to include a water storage facility and 20 additional snowmaking guns/fans. Circulation and dispersal of skiers on the mountain would be addressed through relocation of existing lifts and ski trails and enhanced use of Chair 4 terrain. The overall CCC of the ski area would remain at 2,540, but these improvements would address issues with the existing ski area. The terrain distribution would nominally improve with more expert terrain in the Chair 4 pod and better isolation of a beginner area. No additional low-intermediate terrain would be provided. The 2003 Master Development Plan improvements not described above would also be included in this concept.

One acre of new ski area parking would be provided adjacent to the existing parking area along the access road. Excavated material from this parking lot construction would be used to stabilize a bare soil area located immediately upslope from the base lodge.

The Nordic facilities would continue to operate independently of the alpine ski area concession. Plowing of the park entrance would continue to be conducted by park employees.

5.1.3 Shared Facilities – (Concept 3)

In this concept, the emphasis is on providing for opportunities for the widest feasible range of recreational uses (i.e., snowmobiling, Nordic skiing, snowshoeing) in the park. If conflict has a potential to occur between uses, that conflict will be managed through regulation, education and enforcement.

This concept would include development in less than one half of the PASEA. The portion of the PASEA upslope of the Chair 4 Road would be designated *Recreation* (R) or Resource Recreation (RR) and the portion downslope of the Chair 4 road would be designated NFA.

One chairlift and 4 to 5 trails would be developed in the R or RR portion of the PASEA to improve the terrain distribution, particularly for low intermediate terrain and possibly some expert level terrain. Lift and trail development would be designed to minimize effects to riparian corridors and unstable slopes. The terrain distribution would also improve with more expert terrain in the Chair 4 pod and better isolate the beginner area. The CCC would increase to approximately 3,540 as a result of the additional lift and terrain. Snowmaking would be expanded to address key trails accessing the existing base area, including a water storage facility and 7 additional snowmaking guns/fans. A key element of this concept is the establishment of a temporary structure in the PASEA to provide rudimentary ticketing and guest services during periods when the base area does not have sufficient snow to open. This temporary structure would allow Mt. Spokane Ski and Snowboard Park to open earlier in the ski season, when skiers would be able to access the PASEA lift and trails prior to the opening of the rest of the ski area facilities. The 2003 Master Development Plan improvements not described above would also be included in this concept.

Three acres of new parking would be developed for use by the alpine concession and the Nordic operation. These parking areas would include a new 1-acre lot associated with the temporary structure, as well as a new parking area associated with the existing Nordic parking area. Excavated material from one of these parking lots would be used to stabilize a bare soil area located immediately upslope from the base lodge.

Under the shared facilities concept, operation of the Nordic and snowmobile operations would be put out to bid for concession operation. Mt. Spokane 2000 would be considered as a potential bidder to join the Nordic and alpine operations under one concession agreement.

Plowing of the park entrance would continue to be conducted by park employees.

5.1.4 Recreation Experience Optimization – (Concept 4)

In this concept, the emphasis is on providing a superlative experience for each recreational user group. If use conflicts occur or could occur between groups, then those uses are separated to the extent feasible. If a feasible way to separate incompatible uses is not found, then one of the uses may not be appropriate in the park.

Under this concept, approximately one half of the PASEA would be developed for alpine skiing to provide additional beginner and low intermediate to expert terrain. The portion of the PASEA upslope of the Chair 4 Road would be designated Recreation (R) and the portion downslope of the Chair 4 road would be designated NFA.

Two chairlifts would be developed along with 8 to 10 trails, creating one pod of low intermediate to intermediate skiing and one pod of intermediate to expert skiing (the latter pod would include trails that connect with the Chair 4 pod). The CCC would increase to 4,540 due to the installation of the two lifts and associated trails. The installation of these lifts and trails would likely be phased over a 10+ year period. As with the Shared Facilities concept, snowmaking would be expanded to address key trails accessing the base area, including a water storage facility and 7 additional snowmaking guns/fans. A key element of this concept is the establishment of a new lodge facility, of comparable quality to the historic lodge, in the PASEA. This element aims to provide a full complement of guest services during periods when the base area does not have sufficient snow to open, as well as during the remainder of the ski season. The lodge would feature overnight accommodations, a restaurant, rental and ski school facilities. This lodge would allow Mt. Spokane Ski and Snowboard Park to open earlier in the ski season, when skiers would be able to access the PASEA lift and trails prior to opening the rest of the ski area facilities.

Two acres of new parking would be developed for use by the alpine concession and the Nordic operation. These parking areas would include a new 1-acre lot associated with the new lodge, as well as a new parking area associated with the existing Nordic parking area. Excavated material from this parking lot construction would be used to stabilize a bare soil area located immediately upslope from the existing base lodge. In addition to operating the lodge, the alpine concessionaire would operate the Nordic concession/grooming as well as the plowing operations.

The 2003 Master Development Plan improvements not described above would also be included in all of the concepts other than the No Action approach, and the 2003 MDP would be modified to incorporate the revisions described above.

5.2 Capital Programming

Based on the concepts described above, the Capital Improvement program for the three concepts is presented in Table 5.2-1. Appendix 1 includes maps depicting Concepts 2, 3 and 4. Appendix 2 contains the detailed financial analysis of each concept under the two financing scenarios. Once again, because this information has already been presented to the public, this report does not attempt to restate the results in detail. A summary of the financial analysis, similar to a PowerPoint presentation that was presented on January 4, 2007, is provided in the following sections.

Table 5.2–1:
Conceptual Capital Improvement Plan

Programs	Specific Upgrades	Improved Facilities(Concept 2)	Shared Facilities (Concept 3)	Optimized Experiences (Concept 4)
CCC		**2,740**	**3,820**	**4,900**
Lifts	Lift revisions	$400,000	$400,000	$400,000
	Chair 6		$600,000	$600,000
	Chair 7			$600,000
	Subtotal	**$400,000**	**$1,000,000**	**$1,600,000**
Parking *New Parking lot/acre - $120,000.00* *Pave Parking lot/acre - $60,000.00*	Pave Existing Areas	$351,720	$351,720	$351,720
	PASEA lot	-	-	$120,000
	New Base Area Lot	$120,000	$120,000	$120,000
	Other lot	-	$120,000	-
	Subtotal	**$471,720**	**$591,720**	**$591,720**
Snowmaking	(40k/gun)	**$800,000**	**$280,000**	**$280,000**
New Trail Clearing (20k/acre)				
	Infill trails	$1,484,000	$1,484,000	$1,484,000
	Chair -6	-	$910,000	$910,000
	Chair -7	-	-	$848,000
	Subtotal	**$1,484,000**	**$2,394,000**	**$3,242,000**
Buildings/ Structures	Lodge 2	$750,000	$750,000	$750,000
	Lodge 1	$100,000	$100,000	$100,000
	C-3 guest Services bldg.	$100,000	$100,000	$100,000
	Guest Services	$1,275,000	$1,275,000	$1,275,000
	PASEA lodge	-	$0	$4,000,000
	PASEA hut	-	$25,000	$25,000
	Subtotal	**$2,225,000**	**$2,250,000**	**$6,250,000**

Table 5.2–1:
Conceptual Capital Improvement Plan

Programs	Specific Upgrades	Improved Facilities(Concept 2)	Shared Facilities (Concept 3)	Optimized Experiences (Concept 4)
Roads & Access	Snowmobile Summit Reroute	-	-	-
	Summit Access Road Improvements	-	-	$8,000,000
	Subtotal	**$0**	**$0**	**$8,000,000**
Utilities Water Sewer	lodge well	$0	$0	$40,000
	Improve Existing System	$60,000	$60,000	$60,000
	Drainfield at Lodge	$0	$0	$60,000
Stormwater/bmps (exc.new ski trails)	Parking lots	$40,000	$120,000	$80,000
	Bare soil areas	$73,000	$73,000	$73,000
	Snowmelt gully	$25,000	$25,000	$25,000
	Other Restoration	$30,000	$30,000	$30,000
Electricity		$26,000	$8,000	$12,000
	Subtotal	**$254,000**	**$316,000**	**$380,000**
Planning/Approval Process		**$50,000**	**$200,000**	**$200,000**
Total		**$5,684,720**	**$7,031,720**	**$20,543,720**

5.3 Visitation

Illustration 5.3-1 and 5.3-2 details the visitation projections for the Mt. Spokane 2000 Capital Only and With Outside Support scenarios an all fou